
Tennessee Education Lottery
Estimates for Revenues, Expenses,
and State Proceeds
(Fiscal Years 2007-08 and 2008-09)

Presented to: The State Funding Board

Presented by: Robert Currey, Fiscal Review Committee
Wednesday, December 12, 2007

Presentation Outline

- FY06-07:
 - Actual (Revenues)
 - Actual (Expenses & Proceeds)

- FY07-08:
 - Estimate Assumptions (May 7, 2007)
 - Estimates (May 7, 2007)
 - Revised Estimate Assumptions (Dec. 12, 2007)
 - Revised Estimates (Dec. 12, 2007)

- FY08-09:
 - Estimate Assumptions
 - Estimates

FY06-07: Actual (Revenues)

<u>Source</u>	<u>Revenue</u>	<u>% of Total Net Revenue</u>
<i>Instant Games (Net)</i>	\$697,651,334	70.4%
<i>Cash 3</i>	\$66,292,208	6.7%
<i>Cash 4</i>	\$25,295,896	2.6%
<i>Powerball</i>	\$156,853,373	15.8%
<i>Lotto 5</i>	\$27,821,355	2.8%
<i>HotTrax Champions</i>	\$2,744,437	0.3%
<i>Million Dollar Madness</i>	\$7,999,930	0.8%
<i>Miscellaneous</i>	\$6,365,493	0.6%
Total Net Revenue	\$991,024,026	100.0%

FY06-07: Actual (Expenses & Proceeds)

<u>Source</u>	<u>Expense</u>	<u>% of Total Net Revenue</u>
<i>Prize Expense</i>	\$597,230,932	60.3%
<i>Other Gaming Expenses</i>	\$107,297,950	10.8%
<i>Operating Expenses</i>	\$14,526,653	1.5%
Total Expenses	\$719,055,535	72.6%
Net Lottery Proceeds	\$271,968,491	27.4%
<i>After-School Proceeds</i>	\$10,436,394	
Total State Proceeds	\$282,404,885	

FY07-08: Estimate Assumptions (May 7, 2007)

- No matrix change for Powerball or Lotto 5 during FY07-08.
- Drawing frequencies will remain unchanged for Powerball, Lotto 5, Cash 3, and Cash 4 during FY07-08.
- No new game introductions will occur during FY07-08, except for Million Dollar Madness (this excluded any new instant games).
- Estimates for HotTrax Champions was based on limited sales data and the existing retailer base.
- Total Expenses were estimated to be 73.25% of total net revenues.
- Net Lottery Proceeds were estimated to be 26.75% of total net revenues.

FY07-08: Estimates (May 7, 2007)

Revenue Source	Low	Median	High
Instant Games (Net)	\$701,205,000	\$715,515,000	\$729,825,000
Cash 3	\$64,931,000	\$66,256,000	\$67,581,000
Cash 4	\$24,500,000	\$25,000,000	\$25,500,000
Lotto 5	\$25,992,000	\$26,522,000	\$27,052,000
Powerball	\$164,895,000	\$168,260,000	\$171,625,000
Hottrax Champions	\$4,400,000	\$4,700,000	\$5,000,000
Million Dollar Madness	\$3,500,000	\$4,000,000	\$4,500,000
Misc. Revenue	\$5,400,000	\$5,500,000	\$5,600,000
Total Net Revenue	\$994,823,000	\$1,015,753,000	\$1,036,683,000
Total Expenses (73.25%)	\$728,708,000	\$744,039,000	\$759,370,000
Net Lottery Proceeds (26.75%)	\$266,115,000	<u>\$271,714,000</u>	\$277,313,000

FY07-08: Revised Estimate Assumptions

(Dec. 12, 2007)

- No matrix change for Powerball or Lotto 5 for the remainder of FY07-08.
- Drawing frequencies will remain unchanged for Powerball, Lotto 5, Cash 3, and Cash 4 for the remainder of FY07-08.
- Prize payout ratio for instant games remain at approx. 65% of sales.
- One new online game will be introduced during FY07-08...(Lotto Plus)...tentative launch date is mid-to-late Feb. 2008.
- Million Dollar Madness 2.0 will be as successful as MDM 1.0.
- No other new games will be introduced during FY07-08 (excluding any new instant games).
- Total Expenses are estimated to be 73.0% of total net revenues.
- Net Lottery Proceeds are estimated to be 27.0% of total net revenues.

FY07-08: Revised Estimates (Dec. 12, 2007)

Revenue Source	Low	Median	High
Instant Games (Net)	\$709,700,000	\$721,000,000	\$732,300,000
Cash 3 & Cash 4	\$89,200,000	\$90,400,000	\$91,600,000
Lotto 5	\$24,700,000	\$25,300,000	\$25,800,000
Lotto Plus	\$8,500,000	\$9,600,000	\$10,700,000
Powerball	\$159,400,000	\$169,900,000	\$180,300,000
Hottrax Champions	\$2,400,000	\$2,500,000	\$2,700,000
Million Dollar Madness 2.0	\$4,000,000	\$8,000,000	\$8,000,000
Misc. Revenue	\$6,000,000	\$7,000,000	\$8,000,000
Total Net Revenue	\$1,003,900,000	\$1,033,700,000	\$1,059,400,000
Total Expenses (73.0%)	\$732,850,000	\$754,600,000	\$773,360,000
NET LOTTERY PROCEEDS (27.0%)	\$271,050,000	<u>\$279,100,000</u>	\$286,040,000
After-School Programs	\$11,000,000	\$12,000,000	\$13,000,000
TOTAL STATE PROCEEDS	\$282,050,000	<u>\$291,100,000</u>	\$299,040,000

Assumptions for FY08-09 Estimates

- No matrix changes for Powerball, Lotto 5, or Lotto Plus during FY08-09.
- Drawing frequencies will remain unchanged for Powerball, Lotto 5, Lotto Plus, Cash 3, and Cash 4 during FY08-09.
- Million Dollar Madness 3.0 (or a similar raffle-type of game) will be as successful as MDM 1.0 and MDM 2.0.
- No other new game introductions will occur during FY08-09 (excluding new instant games).
- Prize payout ratio for instant games remain relatively constant.
- 2.75% growth in instant games.
- 0.25% growth in Cash 3 & Cash 4.
- Sales for HotTrax Champions will remain relatively flat.
- Sales for Powerball & Lotto 5 are estimated at FY07-08 levels.
- Total Expenses are estimated to be 73.25% of total net revenues.
- Net Lottery Proceeds are estimated to be 26.75% of total net revenues.

FY08-09 Estimates

Revenue Source	Low	Median	High
Instant Games (Net)	\$729,200,000	\$740,800,000	\$752,400,000
Cash 3 & Cash 4	\$89,400,000	\$90,600,000	\$91,800,000
Lotto 5	\$24,700,000	\$25,300,000	\$25,800,000
Lotto Plus	\$15,000,000	\$20,000,000	\$25,000,000
Powerball	\$159,400,000	\$169,900,000	\$180,300,000
Hottrax Champions	\$2,400,000	\$2,500,000	\$2,700,000
Million Dollar Madness 3.0	\$4,000,000	\$8,000,000	\$8,000,000
Misc. Revenue	\$6,000,000	\$7,000,000	\$8,000,000
Total Net Revenue	\$1,030,100,000	\$1,064,100,000	\$1,094,000,000
Total Expenses (73.25%)	\$754,500,000	\$779,500,000	\$801,400,000
NET LOTTERY PROCEEDS (26.75%)	\$275,600,000	<u>\$284,600,000</u>	\$292,600,000
After-School Programs	\$11,000,000	\$12,500,000	\$14,000,000
TOTAL STATE PROCEEDS	\$286,600,000	<u>\$297,100,000</u>	\$306,600,000